

SPOKANE'S TOOTHLESS WATCHDOG

How media magnate William Cowles III protects utility kingpins from his own reporters

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On the last Sunday of February, the 27th, the Spokane Spokesman-Review carried a front-page story under the headline, "Out in the cold: bad economic times swell the ranks of customers who can't pay their bills." The story was accompanied by a somewhat ominous black graphic--a bar chart labeled "WWP Shutoffs," which revealed at a glance a substantial increase in service interruptions in the last year. Over the chart a padlocked chain held an electrical switch in the off position, a visual precis that could not escape even the most sleepy-eyed Sunday morning reader.

The reporter of that story was Karen Dorn, a prize-winning former public television correspondent who joined the paper last year. Dorn's work is known not for its style but its substance, its careful assembly of background, statistics, and numbers overlaid against the consequence of such facts to human lives. This particular piece of reporting was no exception. It drew a troubling picture of people who are being forced by the region's energy crisis to choose between keeping their families warm or keeping them adequately fed.

At a time when the nation's social landscape is increasingly characterized by the agony of its citizens, Dorn's story probably should not have stood out. It did, though, because its main subject, Washington Water Power Company, has long enjoyed a privileged status with all Cowles-owned media in the Inland Empire. The Cowles media constitute a monopolistic force that includes both of Spokane's daily papers, the morning Review and the afternoon Daily Chronicle, as well as KHQ television and radio, NBC affiliate stations. Cowles editorial positions typically support WWP policies, and certain subtle vectors of sympathy pop up in Cowles news coverage as well. For example, several years ago, after Seattle P-I reporter Shelby Scates broke the story in which former State Representative Robert Perry claimed he'd been bribed by WWP, the Review followed up with an account of the controversy that began by saying WWP board chairman Wendel Satre "confirmed" that his company hadn't bribed the legislator. And so, if Dorn's first Sunday installment took readers by surprise with its unblinking account of WWP's shutoffs, those readers didn't know half the story. Most of them still don't.

Scheduled for the same edition was a companion piece Dorn had prepared describing how WWP had been excluding from its United Way donations the agency known as Legal Services, an organization that provides poor people access to remedies of the law. Over the past several years Legal Services has found itself more and more involved in the assistance of families experiencing the distraint of power shutoffs; WWP, for its part, saw no reason why it should give money to an agency that was suing it and that had in several cases gained rate breaks for the poor and elderly. So the utility simply decided to exercise the so-called "negative designation" option that Spokane's United Way began offering two years

ago. Negative designations let donors support United Way without supporting agencies of which they disapprove. Positive designations are also possible. The purpose of permitting such donor discretion was to encourage United Way campaigns to begin directing more money toward the poor and minorities, but so far most special designations have been used as blackballs.

In any event, Washington Water Power did not want to talk about its negative designation of Legal Services. Dorn had to hold the story out of the February 27th edition of her paper while she tried to get a comment from WWP president Paul Redmond. She particularly wanted to hear from Redmond because he was United Way's associate chairman in 1981, the year the special-designation policy was inaugurated. Redmond is now the charity's general campaign chairman. Dorn says that after WWP spokesman Stan Witter repeatedly refused her access to Redmond, he finally asked her if the story was "for sure" going to run. When she told him it was, Witter reportedly said that WWP vice president for public relations Joe Piedmont would have to handle the matter. Piedmont issued a curiously worded statement that seemed to say that United Way's special designation program was a success because people were able to make special designations. The statement also said that confidentiality of those designations was critical. Dorn inserted the statement in her story and filed it Tuesday evening under the slug "United Way flap."

Her report began: "For two years in a row, Washington Water Power's corporate donation to United Way has been given with a condition..."

But the public never saw the story. The reason it didn't offers a rare glimpse of Spokane's Old Boy clique in operation and also calls into question, once more the ability of Cowles reporters to cover Washington Water Power in a way that might make WWP policies--policies that have a profound effect on the region's economic health--intelligible to those who are affected.

What happened is that WWP board chairman Wendel Satre got word that Dorn's story was coming out. Satre called Spokesman-Review publisher William Cowles III. Cowles put in a call to the paper's top editor, Curt Pierson. Pierson called assistant managing editor Chuck Rehberg. Word was the boss had a problem with the story, even though he had not seen it.

Dorn filed her story Tuesday evening, March 1, expecting to find it on page one of the next morning's paper, as budgeted. Instead, when she arrived at work she was met at her desk by Rehberg, who filled her in on the sequence of events. Dorn was flabbergasted. Pierson and Rehberg met with Cowles and reportedly fought for the story. They did not prevail, and Dorn was called into a second meeting with Cowles.

According to both Pierson and Dorn, Cowles considered the story unfair to WWP and was afraid it would hurt United Way. Dorn was puzzled by some of Cowles's points, but she felt quite sure she was being asked to go easy on Washington Water Power. She didn't like it. Nonetheless, she worked on a compromise draft Wednesday afternoon. The publisher rejected that version, too, and Wednesday evening Dorn got a call at home from deputy

city editor Neal Pattison, who, she says, wanted to bury the WWP lead because of pressure from above. Next day Dorn objected vehemently, but Rehberg said she would have to offer the publisher an alternative story if any version of the "United Way Flap" was to appear at all. Dorn and Rehberg worked on the story together all Thursday morning, converting it to a piece about United Way's special-designation option--not a WWP story. The neutered version made it look as though the paper was going after Spokane's preeminent charity for no good reason; the utility wasn't even mentioned until the sixth paragraph.

The third draft of the story finally appeared in the paper Friday, March 4, but it was no charm. It angered United Way, provoked the National Organization of Women to threaten suit to have WWP president Redmond removed as United Way's chairman, and caused Redmond to at last hold a press conference to explain WWP's position. (NOW was angered because the practical consequence of the special-designation option was to deprive single mothers of free legal assistance.)

The story also raised questions about the credibility of the two organizations--Cowles media and the private utility--at a time that is crucial for both. Since combining editorial staffs on January 1, the Spokesman-Review and the Chronicle have made lavish promises about the journalistic excellence the public can expect; Cowles's response to Satre--and the willingness of Cowles employees to toe the line--seems an important incident against which to evaluate these promises.

WWP, meanwhile, has entered a life-or-death situation as a private utility. The company is beyond any doubt one of the most potent social and economic forces in the Inland Empire, and this spirited exchange with the media could offer a valuable clue as to the methods WWP will use in addressing the assorted problems pressing in on it. But finding people at either newspaper or Washington Water Power who will talk publicly about the incident is difficult for the obvious reason: Inside both companies is much anxiety about job security. One detects no more frankness among reporters--perhaps even a little less--than among the WWP policymakers they write about.

Editor Curt Pierson, for one, is not afraid to talk for the record. "I'm disturbed that we're still fighting that old-boy network," he says. "We got into trouble on this story for doing the things we're supposed to do. We didn't run the story on Sunday because we didn't have WWP's side. Then Piedmont [the utility spokesman] just tried to stonewall us. We do all the right things, and then there's a court of last resort. It's frustrating.

When Pierson was offered the top editorial position at the Daily Chronicle two years ago, his first inclination was to not accept. He was managing editor of the Bremerton Sun at the time, and nothing he had heard about Spokane's daily newspapers made them sound like papers where he would want to work. But Pierson says he was given "certain reassurances" by Cowles about the kind of paper Cowles wanted the Chronicle turned into. And so Pierson, a 30-year-veteran of newspapering, joined Cowles's afternoon paper in August 1981. Shortly afterward, the Chronicle began to acquire a certain cachet, showing itself smartly in the way a tired old sailing vessel might respond under the hand of a seasoned skipper. Stories began to appear that likely would not have been printed before. The most

notable was a long account of the often-brazen role played by Kaiser Aluminum in Spokane affairs.

When the staffs of the Review and Chronicle were combined, Pierson was the choice for the top editorial post. The new direction he had instigated seemed to survive even that tumultuous transition, and Pierson's stock among many of his reporters continued to rise.

"I came to work for Curt Pierson," Dorn says pointedly. And Mike Murphy, the paper's occasionally irreverent, 32-year-old columnist, says simply, "Curt Pierson has more guts and more integrity than any other individual I've come across." (Murphy's column was discontinued last week.)

Pierson is obviously pained by what happened to the WWP coverage. But he is more calm than WWP's Satre, who offers only an irritable, "No comment," and more forthcoming than Cowles, who maintains studied vagueness about Satre's phone call, though he acknowledges receiving it. Pierson's manner is further contrasted by that of managing editor Chuck Rehberg, who is even more vague than Cowles. At first, Rehberg told me the story was shown to Cowles as a "normal practice" because it was "controversial." Rehberg said that Pierson made the decision to hold the story, but then admitted that the story was changed to get past Cowles. (The publisher had said that it wasn't he who ordered the story held, that he didn't know who did make that decision, and that he wasn't even exactly sure what was wrong with Dorn's first version.) I asked Rehberg if he felt as if the editorial staff had to fight to get the story in the paper.

"If Curt says that, I wouldn't argue," he replied. I asked Rehberg how he felt about the whole thing.

"I wouldn't describe myself as happy, but I'm satisfied," he said. "It would have bothered me more if we didn't publish anything."

The Cowles media, over the years, have practiced what Spaniards under Franco called autocensura, self-censorship. More than one Cowles reporter has been heard to say that inside the paper one simply learns what can and cannot be written about without actually being told. Bob Jebb, a former editorial writer at the Spokesman-Review, now living in New Hampshire, says he found it very difficult to write about any local issues because of the sway various financial interests seemed to have over the paper. He says Cowles and former managing editor Jim Bracken "used to try to discourage me from writing about just about anything. But they would never say you can't write something. They would just discourage me. Or I would write an editorial they didn't like and they would say, 'We can't use it...'" Jebb eventually resigned in protest.

Reporters, too, talk about a "no-surprise" policy whereby any story containing reference to the Cowles family businesses must be seen by the publisher before appearing in print. One Chronicle editor is quick to point out that this policy is fairly common within the industry--but in a town where the publisher controls nearly one-third of all downtown real estate, as Cowles does, it may take on a slightly different significance.

Asked to comment on the no-surprise policy and the charge that, as one of his reporters sums it up, "over the years Washington Water Power has been treated very gently by these papers because of the substantial power it wields," Cowles was succinct, as usual: The no-surprise policy is "absolutely true, but no story has been substantively changed as a result, that I'm aware of. It's a matter of being sure the names are spelled correctly." Regarding WWP, he says, "Our approach to all subjects is fairness, accuracy and completeness. Our approach to Washington Water Power is no different."

Such explanations notwithstanding, professional reporting standards seem to have suffered under Cowles policies. For example, one veteran Cowles reporter, who would not be identified, looks upon Dorn's experience as a mere technical problem. Dorn, he says, not only ran into a sacred cow in WWP but found herself in a whole pasture of sacred cows in United Way.

"If you find yourself in that pasture," the reporter has learned from experience, "you'd better do your slaughtering fast and get out of the pasture before the caretaker returns."

Cowles himself, heir to a large family fortune, is the caretaker of a vast empire that has included baronial real estate holdings and major stock ownership in the Tribune Publishing Company, which publishes The Chicago Tribune. With an undergraduate degree from Yale, a law degree from Harvard, and three years as a deck officer on a Navy destroyer in his bio, the boyishly handsome Cowles exudes the expensive manners of his caste. He remains trim and athletic in his early 50s, and although some consider him aloof, those who know him best insist that he is just extremely shy. He seems to loath the public attention that has resulted from the "United Way flap."

Pierson views the United Way flap as an exceptional case.

"I hate to make too much of one incident," he says. "This is the first thing of its kind that happened to me here. I think the publisher has every right to worry about what goes into his paper and question things. But I think he has to recognize that when we do everything right there's some responsibility on the newsmakers as well as the newspaper."

Pierson feels it is particularly important to recognize this with regard to WWP.

"Washington Water Power has a sense that they're not beholden to the public because they're a private utility. The last thing that occurs to them is to be up front."

Clearly what is at stake in how Cowles reporters cover Washington Water Power is the ability of the largest reading audience in the Inland Empire to understand what its largest utility is up to. If such an understanding was ever important it is now, for later this month WWP goes into what may be the most crucial rate hearings in the company's history. At those hearings WWP will ask the Washington Utility and Transportation Commission to let it include the costs of its two new thermal plants--Colstrip 3 and Kettle Falls--in its rate base. On April 6, the company filed a request with the WUTC for a 36.4 percent increase to

pay for those plants; in Idaho WWP asked for a hike of 60.8 percent. These requests are controversial, for they reflect enormous cost overruns at the wood-fired Kettle Falls facility. WWP first projected the building costs of Kettle Falls at \$30 million back in 1978. By last June the estimate had risen to \$99 million. That means capital costs on the 42 megawatt station had climbed from the original estimate of \$700 per kilowatt to \$2,366 per kilowatt, a figure comparable to the infamous WPPSS cost of \$2,716 per kilowatt.

In testimony commissioned by WUTC staff for last fall's rate hearings, Bruce Louiselle, a member of the public utilities consulting firm Kosh, Louiselle, and Lurito, of Arlington, Virginia, raised serious questions about the Kettle Falls plant. He suggested that the plant had been built primarily because of its public relations value to the company (the wood-fired plant represents a so-called alternative energy source)--and not for its actual value to the public. Louiselle urged the commissioners to make WWP prove that its management had acted prudently in incurring the expense of Kettle Falls, and he recommended that the construction costs be excluded from WWP's rate base if such evidence couldn't be produced. The financial consequence to WWP could be severe, perhaps costing the company more than \$5 million a year. That amount is nearly 20 percent of what the company paid in stockholder dividends in 1981. Such a blow could ultimately have an adverse effect on WWP's access to capital markets--access vital to its health as a private utility. That is why this month's hearing could prove historic.

Meanwhile, cruel economic paradoxes begin to surround the affairs of Washington Water Power. For example, even though the number of people whose service was shut off by WWP because they couldn't afford to pay jumped by 45 percent last January over the previous year, WWP could afford to pay out 34 percent more in dividends to stockholders this year than last. (According to the annual report just issued, the company paid \$37.2 million in dividends in 1982.)

It is hard to know what the company's official thinking is on big questions, such as whether its economic superstructure has quietly collapsed. Such questions are rarely asked in Spokane. And to the extent that pressing questions are put to Washington Water Power, it is the style of the company to treat them as problems of image rather than substance, to turn them over to PR vice president Piedmont for careful handling.

That is what happened with the "United Way flap." Piedmont insists the company was trying to protect United Way, not itself, even though the company damaged its own public image in the attempt. Altruism, however, is hardly a convincing argument when made by a corporation whose executive officers are among the most handsomely compensated in the region. WWP needs profits to sustain that compensation, and to maintain its profitability it needs a certain kind of rate design.

"There is no question that WUTC decisions have been directly the result of advocacy from Legal Services," says Legal Services attorney Jim Bamberger. It is at least possible that WWP was thinking of this when it decided to exclude Legal Services from its United Way gift. It is also possible that WWP board chairman Wendel Satre had it in mind when he called Bill Cowles to discuss the paper's handling of the story.

But what did Cowles have in mind when he took Satre's call and subsequently ordered a story changed, to the chagrin of his own reporters and editors? Cowles's own answer to that question is feeble.

"I regularly talk to primary newsmakers," he says. "This isn't unusual. I try to set levels of high expectation. My concern is that the paper can be proud of what it's done the next day."

At the moment, however, pride of achievement does not describe the feelings of many Cowles reporters. And as things stand now, readers of Mr. Cowles's papers could be forgiven if they find themselves asking, as Latin teachers used to say, *quis custodiet ipsos custodes?* "Who keeps custody of the custodians?"

THE END